

STATEMENT OF THE HONORABLE WM. LACY CLAY
Before the
Subcommittee on Capital Markets, Insurance and Government Sponsored
Enterprises
“The Mutual Funds Integrity and Fee Transparency Act of 2003”
June 18, 2003

**GOOD MORNING CHAIRMAN BAKER, RANKING MEMBER KANJORSKI,
MEMBERS OF THE COMMITTEE AND WITNESSES.**

**I COMMEND YOU MR. CHAIRMAN AND RANKING MEMBER KANJORSKI
FOR BRINGING THIS MUCH NEEDED LEGISLATION TO THE
COMMITTEE. WE ALL WILL AGREE THAT THERE IS A TREMENDOUS
NEED FOR IMPROVEMENT IN THE TRANSPANENCY OF MUTUAL FUNDS
FEES. WE ARE IN AN ERA OF INVESTOR DISTRUST WITH OUR
FINANCIAL MARKETS. THIS DISTRUST WAS EARNED WITH THE
DISCOVERIES OF NUMEROUS CASES OF INVESTORS BEING
DEFRAUDED OF HUNDREDS OF MILLIONS AND OFTEN TIMES, BILLIONS
OF DOLLARS.**

**WHAT ARE WE TO DO ABOUT THIS PROBLEM? HOW DO WE ALLAY THE
FEARS OF INVESTORS WHICH IS PARAMONT TO THE STABILITY OF
OUR MARKETS? WE DO NOT WANT TO RUSH AND OVER-REGULATE AN
INDUSTRY THAT HAS OFFERED ITS PRODUCTS TO INVESTORS AT A
REASONABLE PRICE BECAUSE OF, FOR THE MOST PART, EFFECTIVE
REGULATION. INVESTORS HAVE BEEN ABLE TO GET STANDARDIZED
COSTS AS ADEQUATE FEE INFORMATION IS USUALLY PROVIDED IN
THE VARIOUS FUND PROSPECTUS. THIS ALLOWS FOR A BETTER
COMPARSION OF PRICES OF DIFFERENT FUNDS.**

**IT IS THIS TRANSPARENCY OF FEES THAT PROMOTE PRICE
COMPETITION AND HAS RESULTED IN THE AVAILABILITY OF A WIDE
VARIETY OF FUNDS OPTIONS AT REASONABLE OR LOW COSTS.**

**WE DO WANT TO MAKE SURE THAT THE TRANSPARENCY THAT IS
ADVERTISED IS REALLY ACCURATE. WE HAVE TO MAKE SURE THAT
WE ARE SEEING THE TRUE COSTS OF THE EXPENSES OF INVESTMENT.
WE HAVE TO MAKE SURE THAT THE PROPER TOOLS ARE GIVEN TO
THOSE WITH OVERSIGHT TO PROPERLY ANALYZE COMPLEX
DISTRIBUTION AND BROKERAGE PRACTICES. WE MUST ACCERTAIN
THAT THE DISCLOSURE PRACTICES AND PROCEDURES ARE NOT
OBSELETE.**

**I WILL BE INTERESTED IN HEARING HOW WE WILL ACCOMPLISH
THESE IMPROVEMENTS.**

**MR. CHAIRMAN, I ASK UNANIMOUS CONSENT TO ENTER MY
STATEMENT INTO THE RECORD.**